

## **Industrial Special Indemnity Fund**

*Third Quarter Report*

*September 30, 2007  
Calendar Year 2007  
Fiscal Year 2008*



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***Industrial Special Indemnity Fund (ISIF) – First Quarter Report for Calendar Year 2007  
pursuant to Idaho Code §72-324.***

*Ted Roper, ISIF Manager*

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## BENEFITS

### *Annuitant Periodic Benefits*

Annuitant benefits are paid to individuals who have been awarded or have negotiated a settlement for periodic monthly benefits. Benefits are paid based on a percentage of the applicable state average weekly wage for year of benefit, the year of the injury and the injured worker's average weekly wage.

### STATE AVERAGE WEEKLY WAGE CY 2007

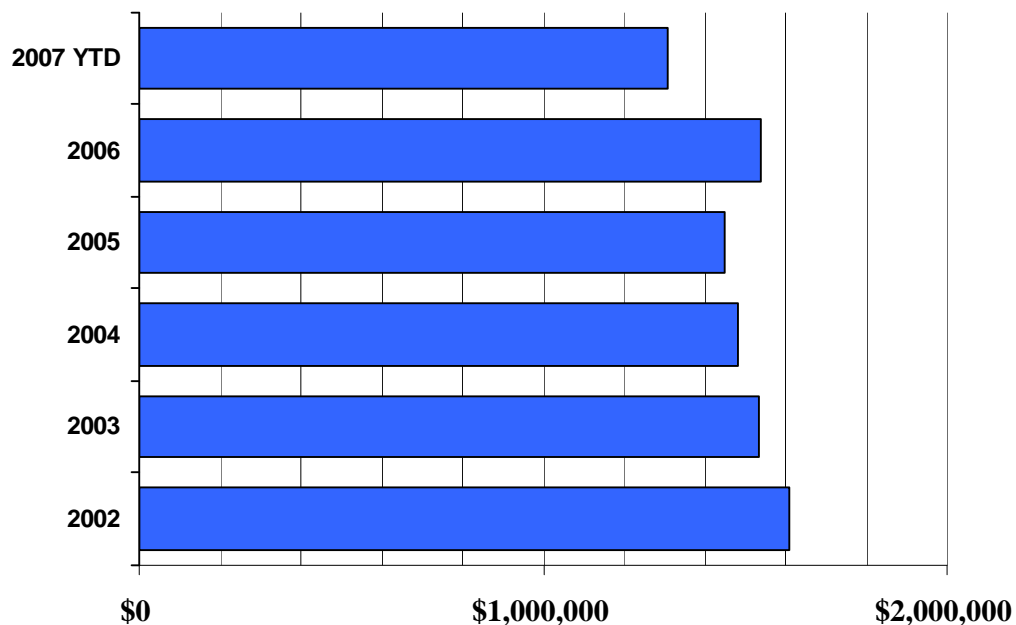
Base of 45% ASW = \$262.80

Base of 60% ASW = \$350.40

Base of 67% ASW = \$391.28

Industrial Special Indemnity Fund ended the 3rd Qtr of CY 07 with 124 annuitants receiving monthly annuity benefits. The CY 2007 monthly average benefit as of 30 September 2007 was \$1,141.80. The average Annuitant benefits paid in CY 06 was \$1,176.60. *Note:* In prior years ISIF had utilized structure annuities as a means to fund future monthly benefits for some annuitants.

### ANNUITY BENEFITS - BY CALENDAR YEAR



Arrearage benefits may be owed upon settlement of a claim and prior to the commencement of current monthly benefits. An arrearage is most likely to occur on judgment loss or consent to entry of judgment claims. Arrearage benefits disbursed in the 3<sup>rd</sup> Qtr of CY 07 was \$57,631.

## MONTHLY & ARREARAGE BENEFIT

	<b>CY 2007 YTD</b>	<b>CY 2006 YTD</b>	<b>CY 2006</b>
Monthly Annuitant Payments	\$1,308,658	\$1,160,236	\$1,536,641
Arrearage Benefit	87,631	4,839	13,081
<b>Total Benefit</b>	<b>\$1,396,289</b>	<b>\$1,165,075</b>	<b>\$1,549,722</b>

### *Settlement Benefits*

Lump sum and lump sum/statutory benefits are the two types of settlement options. A lump sum benefit is a one time cash (only) payment issued upon settlement of a claim. Lump sum with statutory benefits is a settlement in which a lump sum payment may be made upon settlement; however, a form of future periodic benefit is also paid.

**NOTE:** Total Lump Sum benefits paid in 3<sup>rd</sup> Qtr of 2007 decreased by 28% compared to the 3<sup>rd</sup> Qtr of 2006.

	<b>CY 2007 YTD</b>	<b>CY 2006 YTD</b>	<b>CY 2006</b>
<b>Total Claims</b>	12	21	31
<b>Total Lump Sum</b>	\$297,500	\$568,000	\$993,000
<i>Average Claim</i>	\$24,792	\$27,048	\$32,032

## CLAIMS ADJUDICATION

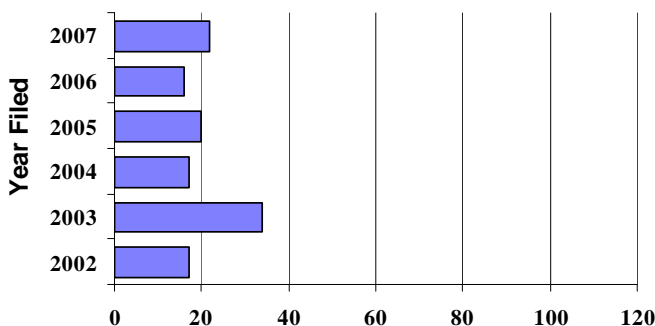
Claims adjudication is a two-fold process involving both the filing of a Notice of Intent (Informal) or Workers' Compensation Complaint Against ISIF (formal) by claimants and/or employer/sureties alleging ISIF liability, and the final determination of those claims by result outcomes (non-merit, settlement or judgment loss).

### *New Claim Filings*

Over the last six years New Claim Filings have continued to stabilize.

In general, these claims represent potentially greater liability as workers compensation claims become more complex legally and medically, with economic downturns creating more difficult return to work issues.

### New Claims Filed - 3rd Qtr of Year Filed

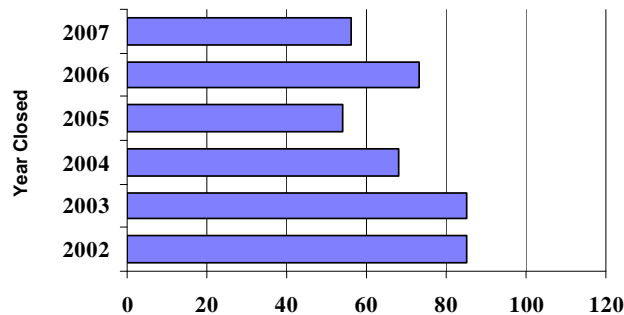


In Calendar Year 2006, 61 new claims were received and 73 claims were closed resulting in a net of 111 open litigated claims on 1 January 2007. Open litigated claims on September 30, 2007 totaled 104.

### *Closed Claims*

Closed claims include claims that have been denied with no complaint filed or claims that have resulted in a settlement or have been dismissed; with fewer opportunities for lump sum settlements, claim closures are fewer in 2007 YTD.

### **Closed Claims - Comparison**



## **LITIGATION COSTS ASSOCIATED WITH MERIT AND NON-MERIT CLAIMS**

### *Result Outcomes*

CY 2007, end of 3<sup>rd</sup> Qtr result outcomes demonstrated that Judgment Wins had increased 50%; with Lump Sum Settlements (without benefits) decreasing 28% for the same period in CY 2006. There are currently six claims in an appeal status.

### **CY Litigation Quarterly Report of 2007 RESULT OUTCOMES**

	<b>CY 2007 YTD</b>	<b>% Total</b>	<b>2006 Total</b>	<b>% Total</b>
<b>Non-merit Claims:</b>				
Dis W/O	8	16%	4	9%
Dis W/P	1	2%	2	4%
Judg Win	10	20%	6	13%
<b>Settled Claims:</b>				
LSS	18	37%	31	66%
LSS/Stat Bene	4	8%	4	9%
<b>Judgement Loss:</b>				
Judg Loss	6	12%	0	0%
Stat No Hearing	2	4%	0	0%
<b>TOTALS:</b>	<b>49</b>		<b>47</b>	
<b>Appeals:</b>				
Affirmed	0	0%	0	0%
Reversed	0	0%	0	0%
Dismissed	0	0%	0	0%
<b>TOTALS:</b>	<b>0</b>		<b>0</b>	

## Result Litigation Costs

### Litigation Costs Comparison by Calendar Year

	LUMP SUM		LSS WITH STAT BEN		JUDGMENT LOSS		STAT BENEFITS / NO HEARING		DIS W/O		DIS W/P		JUDGE WIN	
2002	46	66,737	2	8,115	3	43,238		0	6	61,369	1	13,768	6	135,022
2003	35	106,178	1	984	3	40,499		0	2	2,643	1	259	2	38,194
2004	34	161,926	7	54,065	2	35,928		0	4	12,190	3	23,729	4	71,204
2005	23	147,735	4	31,200	2	22,440		0	7	34,894	2	0	5	44,500
2006	31	262,915	4	22,498	0	0		0	4	44,081	2	9,368	6	112,451
Five Year - Total	169	\$745,491	18	\$116,862	10	\$142,105		\$0	23	\$155,177	9	\$47,124	23	\$401,371
Five Year- Average Claim Cost by Result		\$4,411		\$6,492		\$14,211				\$6,747		\$5,236		\$17,451
<b>2007 YTD</b>	18	\$394,692	4	\$40,551	6	\$99,506	2	\$2,346	7	\$9,168	2	\$30,763	10	\$165,356
Average Claim Cost by Result		\$21,927		\$10,138		\$16,584		\$1,173		\$1,310		\$15,382		\$16,536

## Result Outcomes Definitions:

### Non-Merit Claims

- Dismissal without Prejudice – Dismissal by the Industrial Commission but allows the claimant to sue again on the same cause of action.
- Dismissal with Prejudice – Final disposition of a claim by the Industrial Commission barring the right to bring another claim on the same cause.
- Judgment Win – Final decision by the Industrial Commission on a fully litigated claim determining no liability to the ISIF.
- Denied – An in-house denial of ISIF liability.

### Settled Claims

- LSS – Lump Sum settlement agreement.
- LSS/Stat Bens – Lump sum settlement that includes monthly benefits to be paid in the future.

### Judgment Loss

- Judgment Loss – Final decision by the Industrial Commission on a fully litigated claim determining ISIF to have liability.

### Appeal Affirmed

- Appeal from the Industrial Commission decision affirmed by the State Supreme Court

### Appeal Reversed

- Appeal from the Industrial Commission decision reserved by the State Supreme Court

## Litigation Expenditures

Litigation costs are expended to numerous sub-object codes as bills are paid during a claim's adjudicated life. Once the adjudication process is completed, a report is submitted to the Industrial Commission reporting all litigation costs incurred during the life of the claim. With fewer opportunities for lump sum settlements, more claims are being litigated through the hearing process.

## LITIGATION EXPENDITURES

	CY 2007				CY 2006	
	1st Qtr	2nd Qtr	3rd Quarter	YTD Total	3rd Quarter	CY Total
Attorney Fees	147,583	171,595	149,016	468,194	\$151,176	\$592,978
Costs & Expenses	5,690	7,020	5,758	18,468	5,546	21,121
Medical/Vocational Reprt	3,360	5,902	18,271	27,533	791	14,933
Deposition Costs	6,216	4,919	6,702	17,837	7,160	26,038
Investigations	1,161	6,128	-	7,289	4,282	5,782
Research or Briefs	-	1,725	-	1,725	-	-
Appeal Attorney Fees	-	-	1,983	1,983	-	-
Appeal Costs & Expenses	-	-	9	9	-	-
Medical Expenses (IME)	-	-	675	675	400	1,050
Rehabilitation	10,852	20,272	6,800	37,924	7,649	44,152
Adjuster Expenses	235	462	688	1,385	1,245	1,503
Refund	-	-	-	-	-	-
<b>Total Litigation Expenditures</b>	175,097	218,023	189,902	583,022	\$178,249	\$707,557

## ADMINISTRATIVE OPERATIONS

### Revenue

The ISIF was dependent on a levy system for revenue funding prior to July 1, 1997. The levy was a percent of certain paid benefits assessed to insurance companies and self-insured employers on individual claims at the time of claim closure.

### ASSESSMENT FORMULA BASED ON FISCAL YEAR

Fiscal Year	2004	2005	2006	2007
Total Expenditures	\$4,720,163	\$3,292,704	\$3,293,014	\$3,623,135
Cash Available as of 6/30	5,227,340	6,795,081	6,066,396	\$3,046,051
<b>Assessment</b>	\$4,212,987	-\$209,673	<b>\$519,633</b>	<b>\$4,200,219</b>

*Formula: Two times total expenditures less cash available equals assessment.*

Over time the levy was inadequate to provide the sustained revenue needs of the ISIF. Without a change in revenue funding, the ISIF would have been unable to satisfy its obligations in early 1998. The current revenue system creates a method of funding that is certain.

### ASSESSMENT TIME LINE

Assessment Date	Total Assessment	Indemnity Period	Due Date	Payment Amount
June 30, 2006	\$519,633	7-1-06-->12-31-06	Apr-07	\$259,817
		1-1-07--> 6-30-07	Sep-07	\$259,817
June 30, 2007	\$4,200,219	7-1-07-->12-31-07	Apr-08	\$2,100,110
		1-1-08--> 6-30-08	Sep-08	\$2,100,110

## Expenditure

The Industrial Special Indemnity Fund's administrative operating expenditures include salaries for three full time employees and general office expense. Total Expenditures demonstrated an increase of 1.4% at the end of the 3<sup>rd</sup> Qtr of CY 2007; with Operational expenditures (less litigation expenditures) showing an increased of 11.4% for the same period in CY 2006.

Benefit expense reflects all benefits paid in lump sum, arrearage or monthly annuitant payments. Total litigation costs; include all costs associated with claims adjudication such as attorney fees and costs, depositions, vocational rehabilitation and investigation

## REVENUE - EXPENDITURE REPORT

Revenue	CY 2007				CY 2006	
	1st Qtr	2nd Qtr	3rd Qtr	YTD	3rd Qtr	CY TOTAL
Beginning Cash Available	\$ 4,530,455	\$3,716,362	<b>3,046,051</b>	<b>\$ 4,530,455</b>	6,066,396	<b>\$ 7,654,293</b>
Assess/Interest Actual	72,751	363,869	267,457	704,077	80,832	373,136
Misc Rev/Refunds	429	9,972	3,489	13,890	4,142	9,085
Total Cash Available	4,603,635	4,090,203	<b>3,316,997</b>	<b>5,248,421</b>	6,151,370	8,036,514
<b>Expenditure</b>						
Administrative	54,246	67,501	86,412	208,159	76,541	254,209
Benefits	647,774	751,201	422,632	1,821,607	615,329	2,542,722
Litigation	175,097	218,023	373,846	766,966	178,360	707,669
Total Expenditures	877,117	1,036,724	<b>882,889</b>	<b>2,796,731</b>	870,231	<b>3,504,600</b>
PCARD/Annuitant	1,552	3,122	8,018	9,588	(1,402)	(57)
Encumb	8,604	10,549	-	19,154		
<b>Ending Cash Balance</b>	3,716,362	3,046,051	<b>2,442,126</b>	<b>2,442,126</b>	5,279,738	<b>4,531,857</b>

## REVENUE - EXPENDITURE REPORT

Revenue	FY 2008		FY 2007
	1st Quarter	FY 08 YTD	FY Total
Beginning Cash Available	<b>\$3,046,051</b>	<b>\$3,046,051</b>	\$6,066,396
Assessment/Levy/Interest	270,946	270,946	\$602,791
Total Cash Available	<b>\$3,316,997</b>	<b>\$3,316,997</b>	<b>\$6,669,186</b>
<b>Expenditure</b>			
Administrative	\$86,412	86,412	241,160
Benefits	606,576	606,576	2,398,951
Litigation	189,902	189,902	951,625
Total Expenditures	<b>\$882,890</b>	<b>\$882,890</b>	<b>\$3,591,737</b>
ISIF Annuitant	8,018	8,018	(111)
Encumb	0	0	\$31,510
<b>Ending Cash Balance</b>	<b>\$2,442,126</b>	<b>\$2,442,126</b>	<b>\$3,046,051</b>